

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 PA-04 PRS-01 USIA-15 DRC-01 L-03 H-03

SWF-02 /185 W

----- 065644

R 192125Z JUL 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 7643

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMCONGEN GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 3060

E.O. 11652: N/A

TAGS: ETRD, CS, HO

SUBJECT: BANANA TAX

1. SUMMARY. MINECON BANNATON DELAYED IMMEDIATE SIGNING OF AMPLIFIED BANANA PRODUCERS PACT IN PANAMA IN CALLING FOR SIXTY DAY POSTPONEMENT. COSTA RICA HAS REPORTEDLY UPPED BASIS FOR EVALUATION OF TAX, SO THAT TWENTY-FIVE CENTS MINIMUM IS NO LONGER APPLICABLE, GOH TALKS WITH COMPANIES HAVE LANGUISHED, BUT MAY SOON BE RENEWED. END SUMMARY.

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2. DCM DISCUSSED BANANA SURCHARGE WITH ECONMIN BENNATON

AND STANDARD REP JORGE COELLO AT SPANISH RECEPTION JULY 18.
BENNATON RETURNED FROM PANAMA ON JULY 17.

3. BENNATON SAID APANAM MEETING HAD PRETTY WELL FROZEN THINGS TEMPORARILY. THE EARLIER COSTA RICAN FORMULA WHICH STARTED AT TWENTY-FIVE AMERICAN CENTS, HAD BEEN DRASTICALLY REVISED UPWARDS BY THE GOCR. THE INITIAL INTERPRETATION WAS THAT THE STARTING POINT WOULD BE BASED ON FOR (RAILPOINT), BUT IT HAD NOW BEEN CHANGED TO INCLUDE JOBBERS. THIS ADDED COMMISSIONS AND NEW COSTS, WHICH WOULD BE CLOSE TO ONE DOLLAR TWENTY-FIVE CENTS PER BOX. TOTAL GOCR INTAKE ON SUR-CHARGE COULD ESCALATE TO ONE DOLLAR PER BOX. IN RESPONSE TO QUESTION ABOUT CONTACTS WITH COMPANIES, BENNATON SAID THERE WERE NONE RECENTLY, BUT THEY WOULD BE RESUMED BY GOH. DCM CALLED COSTA RICAN CHANGE OMINOUS DEVELOPMENT, SINCE JOBBER COSTS WERE ALWAYS HIGH PORTION OF PRICE, NOT ONLY WITH BANANAS, BUT TRADITIONALLY WITH MOST OF U.S. FOOD INDUSTRY, E.G. MEATS. BENNATON ACKNOWLEDGED THIS PROBLEM BUT WAS NOT EAGER FOR DEBATE AS TO IMPACT ON SALES.

4. JORGE COELLO SEPARATELY SAID THAT SOON TALKS WITH COMPANIES WERE DORMANT, BUT THAT GOH WOULD SOON TALK AGAIN WITH UNITED REPS. HE RECALLED EMBASSY FOURTH OF JULY PARTY, WHERE WE HAD PROMOTED CONTACT BETWEEN HOUSTON LACOMBE OF UNITED AND BENNATON. UNITED FOLLOWED THIS UP BY SENDING UNITED VP HARVEY JOHNSON DOWN ON JULY 6, BUT WHEN LATTER AND LACOMBE SOLICITED INTERVIEW WITH GOH "COMMISSION" ON BANANAS (MINISTERS ACOSTA, BENNATON, BATRES AND MELGAR), THEY WERE NOT RECEIVED. INSTEAD ACOSTA (FORMER UNITED LAWYER) WAS DELEGATED TO TALK TO UNITED REPS, AND ADVISED THEM TO DROP MATTER UNTIL FOLLOWING PANAMA MEETING.

5. PANAMA MEETING, ACCORDING TO COELLO, NEARLY AMOUNTED TO STAMPEDE, WITH COLOMBIA PROPOSING LOCK STEP UNION OF EXPORTING COUNTRIES AGREEMENT TO BE SIGNED ON JULY 17. BENNATON EVADED THIS BY DEMANDING 60-DAY PERIOD FOR SIGNING THUS SETTING DATE FOR SEPT. 17. HIS REAL AIM WAS TO PERMIT FURTHER CONSULTATIONS WITH COMPANIES. COELLO WENT ON TO DESCRIBE GOCR ALTERATION OF FORMULA IN SAME TERMS AS BENNATON. HE REMAINED HOPEFUL THAT COMPANIES

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WOULD EVENTUALLY FIND SOME FOOTAGE TO CHANGE GOH POSTURE. BATRES (FORMER STANDARD LAWYER) TOLD COELLO THAT IT WAS ANNOYING TO HAVE STANDARD TAKING A LEAD IN TALKS ONE TIME, AND UNITED THE NEXT.

6 COMMENT: GOH REMAINS AS EARLIER, UNDER SAME PRESSURE OF CIRCUMSTANCES TO FIND FORMULA ACCEPTABLE TO COMPANIES. STANDARD SHIPMENTS CONTINUE TO BE IRREGULAR AND ITERMITTENT,

AND THIS IS HEAVILY DAMAGING NOT ONLY TO ENTIRE LA CEIBA ECONOMY, BUT ALSO INDEPENDENT BANANA GROWERS. EFRAIN DIAS GALEAS, FIERY PEASANT LEADER OF FOUR YEARS AGO, WHO INHERITED LEADERSHIP OF ENORMOUS BANANA COOPERATIVE AT GUANCHIAS, ESTABLISHED BY INA UNDER EX-DIRECTOR RIGOBERTO SANDOVAL, HAS NOW CALLED FOR ABOLITION OF SURCHARGE AS IT IS RUINING COOPERATIVE. WE HOPE THESE REALITIES, TOGETHER WITH ACOSTA AND BATRES KNOWLEDGE OF INDUSTRY, WILL CONTRIBUTE TO EVOLUTION OF ADJUSTED GOH POLICY, WHICH WILL REFLECT COUNTRY'S OWN PARTICULAR SITUATION, AND NOT THE IMPORTED AND MIXED IDEAS OF ITS ALLIES WITH COMPLETELY DIFFERENT MOTIVATIONS. COUNTERBALANCING ALL THIS, HOWEVER, IS INCREASINGLY URGENT REQUIREMENT OF GOH TO MAXIMIZE REVENUES BECAUSE OF INFLATION, AND THE OBSCURE NEED FOR SOLIDARITY WITH OTHER LOCAL PRODUCER COUNTRIES. SOLIDARITY MOTIVE IS HARD TO FATHOM. BENNATON RARELY OR NEVER ARTICULATES IT, AND ALTHOUGH WE CANNOT UNDERSTAND HOW HE QUANTIFIES IT ON HIS SLIDE RULE, IT SEEMS A PERSISTENT FACTOR IN HIS THINKING.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, TREATY SIGNATURE, POLICIES, BANANAS, SURCHARGES, TRADE AGREEMENTS, MEETINGS, GOVERNMENT REVENUES, PRICE TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TEGUCI03060
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: D740196-0624
From: TEGUCIGALPA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740733/aaaabbpp.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by rowelle0>; APPROVED <25 MAR 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BANANA TAX
TAGS: ETRD, CS, HO, (BENNATON)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005